Amendments to the Specification:

Please replace the paragraph commencing on page 2 line 11 with the following rewritten paragraph:

--Embodiments of the invention will now be described, by way of example only, with reference to the accompanying diagrammatic drawings, in which

Figure 1 shows the head of a listener and a co-ordinate system,

Figure 2 shows a plan view of the head and an arriving sound wave,

Figure 3 shows the locus of points having an equal inter-aural or inter-aural time delay,

Figure 4 shows an isometric view of the locus of Figure 3,

Figure 5 shows a plan view of the space surrounding a listener's head,

Figure ~~6~~ 6A shows a further plan ~~views~~ view of a listener's head showing paths for use in calculations of distance to the near ear,

Figure 6B shows a further plan view of a listener's head showing paths for use in calculations of distance to the near ear,

Figure ~~7~~ 7A shows a further plan ~~views~~ view of a listener's head showing paths for use in calculations of distance to the far ear,

Figure 7B shows a further plan view of a listener's head showing paths for use in calculations of distance to the far ear,

Figure 8 shows a block diagram of a prior art method,

Figure 9 shows a block diagram of a method according to the present invention,

Figure 10 shows a plot of near ear gain as a function of azimuth and distance, and

Figure 11 shows a plot of far ear gain as a function of azimuth and distance. --

Please replace the paragraph commencing on page 10 line 24 with the following rewritten paragraph:

--Figure 5 shows a plan view of the listener's head, together with the near-field surrounding it. In the first instance, we are particularly interested in the front-right quadrant. If we can define a relationship between the near-field spatial position in the h-plane and distance to the near-ear (right ear in this case), then this can be used to control the right-channel gain. The situation is trivial to resolve, as shown in Figure ~~6~~ 6B, if the "true" source-to-ear paths for the close frontal positions (such as path "A") are assumed to be similar to the direct distance (indicated by "B"). This simplifies the situation, as is shown on the ~~left~~ diagram of Figure 6A ~~6~~, indicating a sound source S in the right front quadrant, at an azimuth angle of with respect to the listener. Also shown is the distance d, of the sound source from the head centre, and the distance, p, for the sound source from the near-ear. The angle sub-tended by S-head-Q' is (900 -). The near ear distance can be derived using the cosine rule, from the triangle S-head_center-near_ear:--

Please replace the paragraph commencing on page 11 line 13 with the following rewritten paragraph:

--~~Figure 7shows a~~ Figures 7A and 7B show plan ~~view~~ views of the listener's head, together with the near field area surrounding it. Once again, we are particularly interested in the front-right quadrant. However, the path between the sound source and the far-ear comprises two serial elements, as is shown clearly in the ~~right hand~~ detail of Figure 7B ~~7~~. First there is a direct path from the source, S, tangential to the head, labeled q, and second, there is a circumferential path around the head, C, from the tangent point, T, to the far ear. As before, the distance from the sound source to the centre of the head is d, and the head radius is r. The angle subtended by the tangent point and the head centre at the source is angle R.--